

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the Texas Board of Veterinary Medical Examiners



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Board of Veterinary Medical Examiners (Board) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2015, through Feb. 29, 2016, to determine compliance with applicable state laws.

The Board receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Board's documents comply in the future. The Board must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes. The Board was also audited for compliance with USPS reporting requirements.

The audit identified:

- Missing prior state service verification form.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Missing documentation

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes. Our review identified audit findings which were discussed during our exit conference meeting.

The audit identified:

- Missing documentation/lack of conservation of state funds.

Security

The audit included a security review to identify any of the Board's employees with security in USAS, Texas Identification Number System (TINS) or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The audit identified:

- One employee who retained the ability to expend funds after termination.
- Two employees who retained the security to expend funds after authority expired.

Internal control structure

The Board's internal control structure was reviewed. The review was limited to obtaining an understanding of the Board's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- One employee who could process and release payrolls.

Fixed assets

The audit included a limited number of fixed assets acquired by the Board during the audit period. Their physical existence and use for state business was verified.

- No issues identified.

Direct deposit authorization forms

A review was conducted of the Board's procedure to comply with the federal mandate to properly identify and handle payments involving moving funds internationally.

The audit identified:

- For one vendor, the Board did not have the updated direct deposit authorization form featuring the International Payments Verification section as required by the National Automated Clearing House Association (NACHA) rules. Another vendor had a correct form but the above-mentioned section was not properly completed, and in two instances the incorrect form was used.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Board's payroll, purchase and travel transactions was concluded on May 7, 2012.

During the current audit, the following recurring findings were identified:

- Missing documentation.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Documentation

Finding

One personnel file did not have the prior state service documentation necessary to verify the employee's state service and the accuracy of the longevity payments.

As a result of the audit, the Board requested and obtained the prior state service verification documentation. The prior state service for the employee matched the data in USPS; therefore, the longevity amounts were correct. According to the Board, the employee transferred from another state agency and it was unaware that the payroll file did not contain the required documentation.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require documentation be made available during a post-payment audit, a pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource](#) – Required Documentation.

We provided the Board with the schedule of the missing documentation. The schedule is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Board should review each employee's job application for prior state service and ensure that documentation of prior state service is obtained and included in the personnel files.

Board Response

The current New Hire Checklist has been updated to include a review of the application for any prior state service.

DETAILED FINDINGS — PURCHASE

Missing Documentation

Finding

During our audit of purchase transactions, we identified five payments not supported with proper documentation. The Board was unable to provide invoices to support two transactions and the Board could not provide any documentation for three transaction amounts. Without complete supporting documentation, we were not able to determine if the payments complied with the rules and statutes that govern state expenditures.

The Board had recently hired a new Chief Fiscal Officer (CFO). The new CFO was unable to locate files and documentation. The previous CFO could not be reached; therefore, measures to locate the documentation had been exhausted.

It is the general responsibility of a state agency and its officers and employees to ensure the agency maintains necessary documentation for proving each payment resulting from the purchase document is legal, proper and fiscally responsible.

See 34 Texas Administrative Code, Section 5.51(c)(1)(D).

Recommendation/Requirement

The Board must ensure it creates and maintains supporting documentation so that no payment is made without sufficient supporting documentation. The Board must be able to provide that documentation during an audit review.

Board Response

Our department has created an internal checklist that will make sure all documentation is attached. Finance will be attending ongoing training offered by the state of Texas to ensure that we are following all the guidelines set forward for expenditure processing.

DETAILED FINDINGS — NON-EMPLOYEE TRAVEL

Missing Documentation/Conservation of State Funds

Finding

We identified one transaction outside the audit sample that had two issues (missing documentation and conservation of state funds) totaling \$42.

A board member did not itemize, provide receipts or documentation needed to verify the request for reimbursement for \$28 paid for parking at the hotel where the board member was staying. Additionally, the board member did not provide a valid reason for using valet parking instead of self-parking. The board member purchased valet parking at \$26 per day for two days, while the cost of self-parking was \$19 per day, resulting in what may have been a \$14 savings for the state.

The Board stated that its employees and board members are trained regarding the state's travel rules and guidelines; however, in this case they were not followed.

According to [Texas Government Code, Section 660.007\(a\)](#), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

Without proper documentation, we could not determine whether the reimbursement was an accurate reflection of the expense the traveler incurred. See Agency and Employee Responsibilities on [Texttravel](#).

Recommendation/Requirement

The Board must exercise caution in its use of state funds and ensure that expenditures are fiscally responsible. The Board must ensure each travel voucher includes all necessary receipts and other documentation prior to reimbursement.

Board Response

All board members have been informed that TBVME will not pay for valet parking. Everyone will use self parking unless there is a valid reason as to why self parking could not be used and will have to be notated on individual travel vouchers. No Exceptions.

DETAILED FINDINGS — SECURITY

Employee Retained Ability and Security to Expend Funds After Termination/Authority Expired

Finding

During the audit, the Board did not notify the Comptroller's office about the termination of two employees designated by the Board to approve its expenditures.

The employees remained on the Board's voucher signature cards for 25 days and one day respectively, after the employees' terminations. The Board is required to notify the Comptroller's office on the day of the termination or earlier. During this time, the former employees could have approved electronic vouchers submitted to the Comptroller's office, and any payment produced by an electronic voucher approved by the employee's expired authority would have constituted an unapproved expenditure. We verified that the terminated employees did not approve any electronic vouchers or release any payment documents after their termination dates. See [34 Texas Administrative Code Section 5.61](#).

The lack of timely notification also meant one of these employees remained on the Board's signature cards for 20 days after termination, so the employee could have approved paper vouchers during that time. We verified that no paper vouchers (expedites) were approved by the employee after the date of termination. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

This occurred due to oversight by the Board. Any officer or employee may send the Comptroller's office notification of termination or revocation. See [Section 5.61\(k\)\(3\)\(B\)](#). Also, [Section 5.61](#) does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings as long as the writings indicate that a designated employee has terminated employment or had security revoked, and the notification specifies the effective date of the revocation/termination.

Recommendation/Requirement

The Board must enhance its controls to ensure compliance with [34 Texas Administrative Code Section 5.61](#) requirements. The Board must also ensure that the person responsible for sending termination notifications to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective and follow up with the Comptroller's office to ensure that the notification was received and the revocation occurred.

Board Response

The Termination Checklist has been updated to include reporting of termination to CPA, if applicable. Upon notification from the Human Resources Director of the termination of an employee who has access to USAS/USPS, the Security Coordinator will notify the Comptroller's office and revoke that individual's access.

Control Weakness Over Expenditure Processing/Confidential Treatment of Information Acknowledgment Missing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Board placed on its accounting staff's ability to process expenditures. We reviewed the Board's security in USAS, USPS, Texas Identification Number System (TINS) and voucher signature cards that were in effect on May 24, 2016.

One employee could process and release payrolls without oversight. The Board stated that they are a small office and their employees must be able to perform various job tasks to prevent delays in their daily functions. The Board was provided a schedule of this finding during fieldwork.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

As a routine part of our security review, we reviewed the Board's compliance with the requirement that all agency users of the Comptroller's state government accounting systems (accounting systems) complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to the Comptroller's accounting systems, the first step that the agency's security coordinator takes is to have the person read and sign the CTIA form. A reviewing official also signs the agreement which the agency's security coordinator keeps on file for as long as the user has access to the systems, plus five years. In our review, we identified one CTIA form missing. The Board could not locate the form.

Recommendation/Requirement

The Board should periodically review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight. The Board must work with the Comptroller's office security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

The Board should enhance its procedures to ensure the original CTIA form is kept on file as long as the user has access to the statewide accounting systems, plus the five-year retention period.

Board Response

- 1. We now have the separation of duties to include two individuals who can enter/run payroll and two individuals who can approve/release payroll. The first step is conducted by the Finance Division and the second step is conducted by the Administration Division.*
- 2. An item has been added to the New Hire Checklist to ensure that those staff members who are required to complete a CTIA do so. The original CTIA will be maintained in the Finance Departments files and a copy will be maintained in the individual's personnel file.*

DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION FORM

Incomplete Direct Deposit Authorization Form

Finding

We conducted a review of the Board's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally. Of the 10 vendors selected and reviewed, one direct deposit form was missing, one form was not signed or checked and two were invalid forms. Without a properly completed form on file, the Board was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of International ACH transactions (IATs).

To avoid potential federal penalties, each state agency must:

- Be able to show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the U.S.

According to the Board, failing to review the direct deposit forms was an oversight due to a lack of understanding of the federal requirement.

Recommendation/Requirement

The Board must ensure that all payees that request payment by direct deposit submit a completed direct deposit form, with the IAT question answered. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.

Board Response

Staff will be going to training on direct deposit to ensure that department is within compliance in using the correct forms when setting up a vendor/employee for direct deposit.